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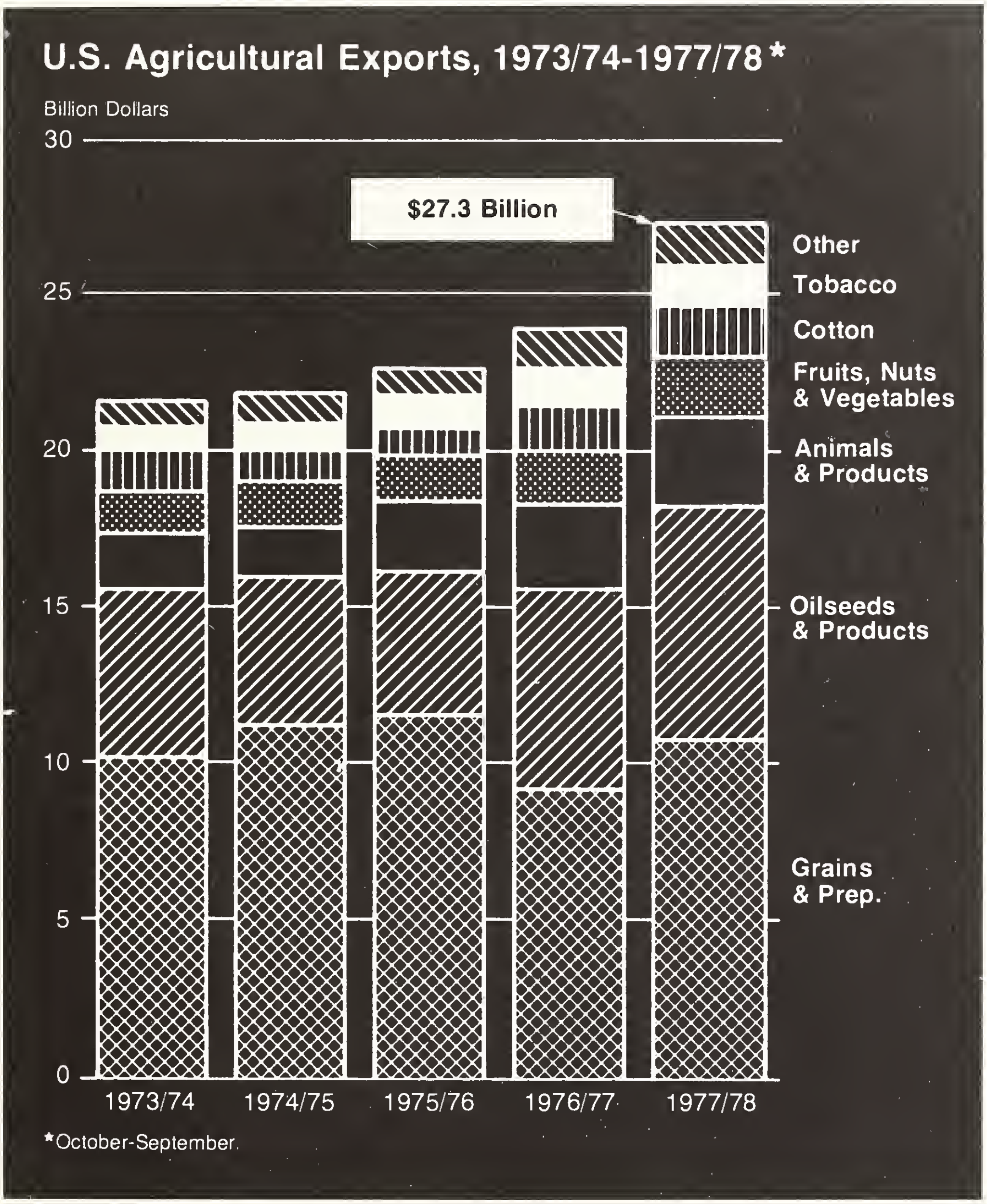


U.S. Agriculture Ranks As One of Nation's Top Export Growth Sectors

The dramatic growth of U.S. agricultural exports to a record level of $27.3 billion in fiscal year 1978 is a story that needs to be told to the American public, declared Thomas R. Hughes, Administrator of USDA's Foreign Agricultural Service, in a recent speech at the International Durum Forum in Minot, N.D.

In recent years, U.S. agriculture has become one of the nation's leading export growth industries, making a strong agricultural trade vital to a strong national economy, Mr. Hughes told the Durum Forum. In excerpts from his speech, he said further:

The $27.3 billion in farm exports last fiscal year is $3.3 billion more than the export value in fiscal 1977; it is four times greater than exports at the start of this decade; it is a record total for the eighth straight year; and it represents just over one-fifth of all U.S. exports.

That is an impressive record of growth, and it has made agricultural trade basic to economic health not only on the U.S. farms, but in business and industry as well.

For the worker, agricultural exports provide more than 1 million full-time jobs, on and off the farm, related to the production, processing, assembling, and distribution of agricultural exports.

For business and industry, these exports generate more than one-fifth of U.S. farm income, which goes to buy combines, tractors, fuel and other supplies, and consumer goods on which our industrial economy is based.

For the taxpayer, exports ease Federal budget costs inherent in dealing with problems of surplus production.

Perhaps more important than any of these in recent years of rising import costs has been the contribution of agricultural exports to the U.S. position in international trade.

Everyone is aware of the problems of the dollar, attributed largely to the fact that since 1976, the value of all U.S. exports has been substantially below that of all of its imports. The resulting trade deficits have put downward pressure on the dollar.

The one bright spot in this trade picture has been agriculture. U.S. agricultural trade has contributed a surplus to the U.S. trade account in every single year since 1960.

Since that date, the trend in the nonagricultural trade balance has been down—from a surplus of $4.4 billion to a deficit last calendar year of more than $40 billion. In contrast, the trend in agricultural trade has been up—from a surplus of $1 billion in 1960 to $10.2 billion last calendar year.

That surplus reduced the U.S. overall trade deficit in 1977 from $40 billion to below $30 billion. Three times since 1960—the last in 1975—the agricultural surplus has been enough to more than offset the deficit in nonagricultural trade to give the United States a positive balance in its total trade account.

This net positive contribution from agricultural trade has been over $10 billion in each of the past 5 years, when we have needed it most. It reached a record $13.4 billion in fiscal 1978, and it could go higher in 1979.

This performance illustrates the importance of agricultural trade to labor, business, the condition of the dollar, and the economy in general. This trade is even more important to agriculture, but I don't think that even farmers themselves realize the impact that the export growth of the past few years has had on the agricultural economy in this country.

Without exports, for example, farmers would be faced with a 50 to 60 percent set aside on wheat every year. The soybean grower would cut back by half. If we didn't export wheat and soybeans, along with large amounts of feedgrains, rice, cotton, and tobacco, agriculture would face two options: Either the most expensive diversion program ever conceived, or farmers would be forced by economic pressures into a massive and disastrous retrenchment.

On a national average, farmers depend on foreign outlets to absorb much of their production—the harvest from almost one-third of our cropland is sold overseas.

Some farmers depend even more heavily on exports, and wheat producers are near the head of the list. Final figures for the 1977/78 marketing year will show that 54 percent of the U.S. production of wheat was exported, and that includes an unusually high 78 percent of the harvest of Durum. In addition, 68 percent of U.S. production of rice moved into export, 51 percent of the soybeans and products, and substantial amounts of many other commodities.

It seems clear from those figures and the cropping practices of the past 4 or 5 years that exports have been integrated into the U.S. farm production system. They have become a factor in production and marketing decisions; domestic commodity programs are predicated on strong export markets, and growth in U.S. agricultural exports has become crucial to the growth of U.S. agriculture.

The prospects for fiscal 1979 at this point are good that we can sustain the export level reached in 1978, and possibly go somewhat higher. For the long-term, import demand—particularly in the developing and the Communist countries—is almost certain to continue to grow, so the opportunities are there.

The goal in the Department of Agriculture and the Administration is to do all that we can to see that U.S. agriculture has a chance to make the most of those opportunities to get a maximum share of the world's agricultural trade growth.

The objective is long-term, stable, sustainable export growth—the kind

that farmers can depend on when they make planting and marketing plans. Secretary Bergland has rejected the "fire sale" approach to exports. To him, that is sacrificing long-term gains for short-term results.

It takes perseverance to build exports, in addition to a lot of hard work by many people and many organizations. Most important is the private sector—farmers as producers, and the trade, and farm organizations and cooperators. Then there are the researchers, public and private, who have stimulated technological changes in production, processing, and marketing that have helped to give the U.S. a competitive advantage in international markets. Finally, there is Government—the market development work and programs of the Department of Agriculture, and the legislative support for farm exports provided by the Congress.

Certainly, the Agricultural Trade Act passed by the Congress in the closing hours before the recent adjournment is an outstanding example of that kind of support.

The Act will give the FAS some added tools to use in market development work. It will mean more agricultural trade offices like the one opened recently in London, for example, and higher rank and more clout for U.S. Agricultural Attachés in important countries.

Mention should also be made of the intermediate credit program, which is of direct interest to wheat growers. This credit has the potential needed to develop port and other facilities throughout the world to facilitate greater imports and use of wheat.

As one example, there are many ports in Southeast Asia that cannot handle anything bigger than a 10,000-ton shipload of wheat. Because of that, freight rates are high and U.S. exports are hurt. With port facilities over there to handle tankers, U.S. wheat exporters could compete with Australia, which lies just off this growing market. The same might be done for Durum and other wheat in North Africa.

There is plenty of work to be done, and to the extent that any of us in the export effort fail in this work, to that extent U.S. agriculture will fall short of its export potential.

From the export gain of $3.3 billion last year, and the years of growth that preceded it, I would judge that all of us in the export chain must have been doing something right the past few years. We hope we can keep on doing it, and doing it better. □

U.S. Farm Exports Reach Record $27.3 Billion

By Sally Breedlove Byrne

U.S. Farm Export Highlights

- Grain accounted for almost half the growth in fiscal 1978 exports. Wheat exports were up 8.2 million tons over the fiscal 1977 level. Feedgrain exports were up 5 million tons.
- Record export volumes were reached for corn, soybeans, vegetable oils, and protein meal.
- Farm exports to the USSR rebounded from the reduced fiscal 1977 value. Direct shipments and transshipments included 11.1 million tons of corn, 3.4 million tons of wheat, and 805,000 tons of soybeans.
- Farm exports to the PRC totaled $352 million. Major items were cotton, wheat, soybean oil, and soybeans.
- Exports to Japan rose 10 percent in value. Much of the volume growth was in meat, feedgrain, and soybeans.
- Substantial volume gains were made in sunflowerseeds, field and garden seeds, beef, peanuts, fruit juices, live animals, and canned fruit.

The continuing upward surge in the value of U.S. agriculture exports lifted the total for fiscal 1978 (October-September) to a record $27.3 billion, a substantial 14 percent higher than the previous record reached in fiscal 1977.

Other records set during the year's farm-export performance were:

- Fiscal 1978 was the ninth year in a row for record highs in total U.S. agricultural export value.
- U.S. farm exports were valued at $13.4 billion more than import value, adding significant strength to the U.S. balance of trade and thereby strengthening the dollar.
- CCC export credits, which helped generate the huge export gains, reached a total value of $1.6 billion —more than double the year-earlier level. Sales to Poland accounted for nearly a third of the total.

Export volume, led by substantial gains in wheat, feedgrains, and soybeans, rose 20 percent to a record 120 million tons—20 million tons higher than the previous high set in fiscal 1977. Export volumes of cotton, soybean products, and other oilseeds were significantly higher than in the year-earlier period.

Grains and preparations accounted for almost half the increase in value, while oilseeds and products were identified with nearly a third of the gain.

Significant value increases also were chalked up in exports of cotton, fruits, animal products, and tobacco.

By geographic area, U.S. exports were higher to all regions except the European Community, Canada, and southern Asia. The greatest growth was in exports to the Soviet Union, Latin America, eastern Asia, and the People's Republic of China (PRC).

Exports to developing countries were up 21 percent to $8.9 billion, and exports to the centrally planned countries jumped 85 percent to $3.1 billion. Exports to the developed countries rose 2 percent in value.

U.S. agricultural imports

(Continued on page 4)

The author is an economist in USDA's Economics, Statistics, and Cooperatives Service.

U.S. Agricultural Exports: Value by Commodity, October-September 1974/75-1977/78

Commodity	1974/75	1975/76	1976/77	1977/78	1976/77-1977/78
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Percent change*
Animals and animal products					
Dairy products	143	131	170	146	−14
Fats, oils, and greases	403	406	583	565	− 3
Hides and skins, excl. furskins	291	457	590	614	+ 4
Meats and meat products	382	592	608	687	+13
Poultry and poultry products	143	235	302	333	+10
Other	304	386	394	466	+18
Total animals and products	1,666	2,207	2,647	2,811	+ 6
Grains and preparations					
Feedgrains and products	4,905	6,010	5,391	5,746	+ 7
Rice	941	607	689	833	+21
Wheat and major products	5,292	4,787	3,054	4,139	+36
Other	124	135	141	148	+ 5
Total grains and preparations	11,262	11,539	9,275	10,866	+17
Oilseeds and products					
Cottonseed and soybean oil	601	337	592	746	+26
Soybeans	2,989	3,038	4,307	4,749	+10
Protein meal	703	843	950	1,176	+24
Other	460	474	537	778	+45
Total oilseeds and products	4,753	4,692	6,386	7,449	+17
Other products and preparations					
Cotton, excluding linters	1,045	910	1,529	1,693	+11
Tobacco, unmanufactured	897	929	1,065	1,132	+ 6
Fruits and preparations	675	755	804	976	+21
Nuts and preparations	164	182	223	288	+29
Vegetables and preparations	534	595	697	658	− 6
Feeds and fodders	299	381	620	575	− 7
Other	559	570	728	850	+17
Total products and preparations	4,173	4,321	5,666	6,172	+ 9
Total	21,854	22,759	23,974	27,298	+14

U.S. Agricultural Exports: Volume by Commodity, October-September 1974/75-1977/78

Commodity	1974/75	1975/76	1976/77	1977/78	1976/77-1977/78
	1,000 MT	*1,000 MT*	*1,000 MT*	*1,000 MT*	*Percent change*
Wheat and products	30,404	31,127	25,019	33,219	+33
Feedgrains and products	35,361	50,145	50,776	55,747	+10
Rice	2,214	1,953	2,231	2,109	− 5
Soybeans	11,486	15,050	15,155	19,698	+30
Oilmeal	4,075	4,870	4,263	5,970	+40
Vegetable oils	988	965	1,221	1,542	+26
Cotton, excluding linters	1,284	733	989	1,317	+33
Tobacco	274	273	290	272	− 6
Total	86,086	105,113	99,944	119,874	+20

Leading Markets for U.S. Agricultural Exports[1]

Country	1974/75	1975/76	1976/77	1977/78	1976/77-1977/78
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Percent change*
Japan	3,213	3,408	3,773	4,159	+10
Netherlands	1,683	1,742	2,179	2,150	− 1
USSR	596	1,853	1,063	1,797	+69
Canada	1,317	1,430	1,570	1,564	0
West Germany	1,535	1,619	1,933	1,460	−24
Republic of Korea	861	809	919	1,055	+15
United Kingdom	608	662	907	938	+ 3
Italy	881	797	836	929	+11
Spain	788	658	595	755	+27
Taiwan	494	516	612	729	+19
Mexico	735	380	608	735	+21
Egypt	440	415	563	552	− 2
Poland	280	541	311	523	+68
France	413	423	474	504	+ 6

[1] Not adjusted for transshipments.

were up 4 percent in fiscal 1978 to $13.9 billion, mainly because of larger shipments of meat, vegetables, fruit, wine, and tobacco. Coffee import volume declined 4 percent, and the import unit value averaged lower. Cocoa, rubber, tea, and spice imports also declined in volume.

The agricultural trade surplus widened to $13.4 billion in fiscal 1978. The deficit in total trade moved from $24 billion in fiscal 1977 to $34 billion.

Feedgrain export volume rose 10 percent in fiscal 1978. The USSR accounted for most of the increase, but exports expanded to several other regions including eastern and southeastern Asia, Spain, Japan, and Latin America. Livestock industries in these areas require larger imports of feed.

U.S. feedgrain exports to the EC[1] dropped 36 percent to 11 million tons in fiscal 1978 because of recovery during 1977 in EC grain and fodder production. Shipments to Eastern Europe declined 3 percent to 4.3 million tons.

Soybean exports jumped 30 percent in volume. The two major factors were the short 1978 Brazilian soybean crop and lower soybean prices, which favored feeding of soybeans over grain. The U.S. soybean export unit value fell from $285 per ton to $241 per ton. The corn export price remained close to $104 per ton.

Soybean export volume expanded to Western and Eastern Europe, Latin America, and Eastern Asia (including Japan). Shipments to Canada fell 18 percent, and shipments to the USSR fell 2 percent.

[1] *Regional data for wheat, feedgrains, soybeans, and soybean meal have been adjusted for transshipments through Canada and Western Europe.*

Protein meal exports increased 40 percent in volume. Shipments were up 83 percent to Canada, 42 percent to the EC, 12 percent to Eastern Europe, and 28 percent to Japan.

Vegetable oil exports expanded 26 percent in volume. Increases were recorded to all major markets except India and Pakistan.

Exports of oilseeds other than soybeans increased 53 percent in value. Peanut exports rose 30 percent in volume.

The largest growth was recorded in exports of sunflowerseeds. Fiscal 1978 exports totaled 906,000 tons, 69 percent of the 1977 U.S. harvest. Fiscal 1977 exports of 403,000 tons comprised 87 percent of the 1976 crop. Major markets were the Netherlands, West Germany, and Portugal.

U.S. **wheat** exports rebounded from the reduced fiscal 1977 volume. Shipments to the EC rose 92 percent because of the EC need for high-quality wheat. Shipments to Latin America increased from 3.7 million tons to 6.7 million because of drought-reduced harvests there. Direct U.S. wheat shipments to the PRC totaled 914,000 tons.

Wheat exports were up 47 percent to North Africa, 37 percent to southern Asia, and 21 percent to western Asia. Shipments also increased to Taiwan, the Philippines, and Indonesia. Exports to Japan declined 6 percent.

Cotton exports continued to grow in fiscal 1978, reaching 5.75 million running bales. Shipments to the developing countries of eastern and southeastern Asia increased 42 percent. Exports to Japan rose 20 percent to 1.1 million bales—still below the 1973/74 record of 1.3 million bales.

U.S. unmanufactured **tobacco** exports declined 6 percent in volume, while the unit value increased from $3.68 per kilogram to $4.15 per kilogram. Shipments to the EC were down 6 percent—a smaller volume to West Germany more than offset larger shipments to the United Kingdom.

Tobacco exports to Japan increased 11 percent in volume. Tobacco exports to the developing countries declined 8 percent, largely because of reduced shipments to Egypt, Thailand, Malaysia, and the Philippines.

Higher prices led to a 6 percent increase in U.S. exports of **animal products.**

Meat and meat product export volume declined 3 percent, mainly because of reduced shipments of pork, and prepared and preserved meat shipments. Fresh and frozen beef exports expanded 31 percent in volume. Meat exports to Japan increased 22 percent to 79,000 tons. Shipments were down 29 percent to Canada and 7 percent to the EC.

Exports of animal fats and greases declined 7 percent in volume, with reduced shipments to Western Europe, southern Asia, and Japan.

Whole cattle hide exports decreased 6 percent in volume. However, gains were recorded to several leading markets—Mexico, Japan, and Korea.

In fiscal 1978, U.S. exports of fresh and prepared **fruits** increased to $976 million. Exports to Canada—the leading market—increased 11 percent to $341 million. Exports to Japan jumped 36 percent to $176 million. Increases were recorded to all leading markets.

Higher unit values for fresh and dried fruits account for a large part of the value gain, but larger volumes also were achieved for processed fruit. □

Latin America Joins Soy Protein Bandwagon

Emulating sharp gains already achieved in the United States, textured soy protein and other food derivatives of the multipurpose soybean are fast gaining acceptance in Latin America.

It is difficult to quantify the extent of this growth—or its impact on trade—owing to the numerous products involved and often-vague tariff classifications. But the United States has been an obvious beneficiary, both directly through increased exports of soy protein and products to Latin America and indirectly through sales of soybeans for further processing. In 1977/78, the United States shipped nearly 1.3 million tons of soybeans and products to the region, compared with 1.1 million in 1976/77.

Humanitarian concern about dietary deficiencies and practical concern about rising food costs together have sparked the interest in soy products, says Ruth S. Orellana, R.D., home economist-nutritionist with the Mexico City Office of the American Soybean Association (ASA). She reports that in the 16 Latin American countries reached by ASA activities, Government and tradespeople have been eager to learn about the many food uses of soybeans: "The soybean is sort of a magic bean with so many uses that people soon start experimenting with it and the word passes."

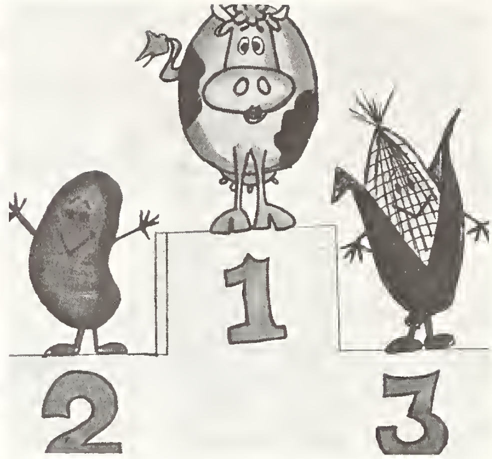
The appeal, she says, is nutritional, functional, and economical.

Nutritionally, there is widespread concern in Latin America about the relatively low protein intake from diets that often include little meat, eggs, milk, or other animal products. One study by the Institute of Nutrition of Central America and Panama pointed out that a typical diet in rural areas of Latin America includes about 72 percent lime-treated maize and 8 percent cooked beans.

With so large a proportion of the diet dependent on corn, which is deficient in two of the eight essential amino acids—lysine and tryptophan—the protein intake is below normal. Tortillas made of corn flour, for instance, have a protein content of just over 4 percent. Thus, people for whom this is the dietary mainstay would have to consume huge quantities of tortillas to get the needed protein level.

One study shows that a 14-month-old child would have to consume about 820 grams—(nearly 2 lbs.)—a day of tortillas to obtain the 34.4 grams of protein recommended as the daily minimum. And even that protein would be incomplete because of the lysine and tryptophan deficiency.

In contrast, soy flour now being used by some feeding programs to fortify tortillas is 40-50 percent protein. Moreover, textured soy protein (50 percent protein) can be used to extend meat or even replace it when none is available. The



Above, making soy-fortified cookies at the Kansas State Grain Research Lab. Top right, chart used by Mrs. Orellana to show soybeans' rank—next to meat—as a protein source. Right, student in Venezuelan cafeteria.

proper combination of soy and grain protein can supply human needs for growth, tissue repair, and disease resistance.

Adequate protein-calorie levels, of course, are essential for optimum physical and mental development. Therefore, growing children need a higher percentage of protein in their diets than do adults. With the young making up a disproportionately large portion of the population in Latin America, owing to high population growth rates, these needs are magnified even further.

Economically, soy can be used to extend meat, and it can be used both functionally and nutritionally in bakery products. Soy protein can account for up to 35 percent, hydrated weight, of sausage and other processed meats, according to Orellana. Minute quantities of soy can be used to bleach flour in white bread. And soy flour has become increasingly popular to fortify bread and bakery products.

Economics obviously come into play here since soy protein usually is cheaper than the ingredients it replaces.

To develop this potential, ASA has been promoting soy protein in a score of Latin America countries. "Our human nutrition program extends from Mexico to Peru," explains Orellana. "In South America, we go to Peru, Ecuador, Colombia, and Venezuela; in Central America, to Guatemala, El Salvador, Costa Rica, and Panama; in the Caribbean, to Trinidad, the Dominican Republic, and Jamaica.

"In some of these areas, Governments and industries have begun to add soy protein to their feeding programs. Trinidad, for instance, launched a school lunch program in April 1978 and plans to reach all school-age children by the end of 1979. This program will be using soy protein—both because the product is economical and because it is nutritious. Program leaders feel that it is important to teach the people to use soy in the home, so in this respect it will involve a nutrition-education program, too."

According to Orellana, soy protein is being used in stews, curries, ethnic breads, and beverages.

Another potentially big buyer of soya is the Mexican Government, whose Family Development Center in Mexico City has started a nutrition program that includes soy products, plus a nutrition education program that will demonstrate the uses of soy protein products. The Center currently is feeding nearly 300,000 breakfasts a day to children in low-income areas of Mexico City.

Soy-fortified products now being used by the Center include a candy that has been enriched with soy flour, as well as a number of bread and bakery products.

The Mexican Government also requires a day nursery service for the children of working mothers. Breakfast, midmorning snacks, lunch, and dinner all are available at such nurseries—depending, of course, on the working hours of the mother. While most such programs do not yet use soy in their foods, some have begun to use a soy milk product similar to malted milk, soy-fortified tortillas, soy sausages, and textured soy protein as a meat extender.

Orellana says acceptance of these products has been extremely high, and efforts are now underway to increase the number of nurseries and hospitals using these and other soy products.

In Venezuela, the Government School Food Service serves soy-fortified arepas (corn meal muffins), and a new Government-subsidized industrial food service is being undertaken by ALIPOSA, a Government program connected closely with the National Nutrition Institute. This feeding program includes soy products in meals served to Government and industrial workers.

The Venezuelan Government also is serving the 8-percent soy-fortified arepas

to undernourished children in both rural and urban areas.

Commercial use of soy protein likewise has expanded. A Dominican Republic firm, for instance, recently introduced a line of canned soy-extended meats called "veg-meat." These include chopped and ground meat, sausages, and meat balls. Promotional material touts the veg-meats as being identical in texture, color, and flavor to all-meat products; lower in cholesterol; and about twice as high as the meat products in essential amino acids. Consumer acceptance so far reportedly has been high.

In Costa Rica, some 1 million tortillas a day are prepared from an 8-percent soy-fortified corn flour. These tortillas are sold in retail outlets as a convenience food and have contributed to increased corn-soy consumption in Costa Rica, and Panama as well.

Another interesting product developed in Bolivia is a potato-soy combination for use in snacks, infant feeding, and other outlets. It is viewed as a marketable product for potato-producing countries of Latin America.

During a trip to major Latin American markets last year, Orellana found widespread interest in soy protein. Her trip included the organization and presentation of soy protein conferences and seminars in Venezuela, Colombia, and Peru; meetings with food nutritionists, manufacturers, and retailers; and food-product demonstrations. As a followup, more soy protein conferences are planned, including possibly a regional workshop on adding soy-identified items.

Another possibility being explored by Orellana is a "mini" course for major universities. "It could be a 2-day course that would include basic instruction on soy and its uses, food-preparation demonstrations, and taste testing. The program would be directed at teachers in positions to pass the information on to their students, which, to me, is one of the fastest ways to get feedback from our program."

Orellana also views team visits to the United States as an effective way of acquainting foreign officials and trade with U.S. products and technology.

"In 1976, officials from the Governments of five countries — Colombia, Ecuador, the Dominican Republic, Guatemala, and Mexico—traveled the U.S. 'soybean route'," says Orellana. "Team members had a chance to see every aspect of soy production and processing—from the farm to the kitchens that fortify foods with soya and test new recipes for use by homemakers and food manufacturers. Now these team members are practicing what they were taught."

She brought a similar group to the United States in July 1978 and plans more trips in the future.

The eventual payoff, both for U.S. soybean and product exporters and Latin American consumers, could be sizable. Rapid growth recently in U.S. soybean sales to the region seems likely to continue in the future as population growth and rising incomes boost demand. And the need for better diets is obvious.

"Nearly half of these people are vegetarians by necessity—often selling the little milk, eggs, and meat that they do produce to get enough money to buy grains and other staples," says Orellana. "If we can show them how to use soybeans, and reach them through institutional feeding programs, we may play a big role in bettering the nutritional status of Latin America." □

U.S. Food Show in Bangkok Set For Mid-February 1979

Selected U.S. food exporters and processors have been invited to participate in the FAS exhibit in Bangkok, February 12-16, 1979, being held in conjunction with the U.S. Commerce Department's Agri-Business, Food Processing, and Packaging Show. FAS mailed details to the trade the week of October 22, 1978, seeking to get participation by at least 10 exhibitors to show about 60 products of 15 processing firms.

While not among the top Asian markets for U.S. food and agricultural products, Thailand offers a potential for growth that should be considered by U.S. food processors when making export plans.

In calendar 1977, exports of U.S. farm products to that country totaled $108.5 million, well above the 1976 level of about $96 million. Exports of consumer items rose for the sixth straight year, reaching $2.2 million.

Infant dietary supplements were the leading product exported to Thailand—accounting for $1.1 million of the total. Other important items shipped included dairy substitutes, yeast, frozen orange juice concentrate, fresh apples, and dry milk and cream.

Thailand is a virtually untapped market for some U.S. products. Nevertheless, growing numbers of Thai consumers are becoming acquainted with convenience foods such as frozen TV dinners, pizza, frozen fish, etc. Displays of these and other products in February will strengthen the interest of Thai consumers, and enhance the status of the United States as a reliable source of such products.

The Thais are particularly interested in buying nuts, cake mixes, baby foods, turkey products, high-quality cuts of beef, fruit and vegetable juices, honey, frozen foods, and many other packaged and canned foods.

No company representatives need be present at the show. Staff members of the U.S. Agricultural Attaché's office and others, hired and trained especially for the event, will be on hand to field questions by visitors to the show.

Because of the show's specialized content—the Commerce Department's exhibits will include meat processing, seed oil extraction, and canning equipment, as well as machinery connected with other phases of food processing—it is expected that visitors will mostly be from the food trade.

The show is to be held in Lumpini Hall, near the U.S. Embassy compound in downtown Bangkok.

Firms interested in participating in this or any other FAS food promotional activity should write to the Director, Export Trade Services Division, Foreign Agricultural Service, USDA, Washington, D.C., 20250, or telephone (202) 447-6343. □

U.S. Apple Exporters Expect Another Good Year Following Record Showing in 1977/78

By Gilbert E. Sindelar

After a banner 1977/78 season, U.S. apple exporters are preparing for another good year in 1978/79. More normal crops in major markets of Western Europe following shortfalls last season conceivably could keep U.S. apple exports from reaching the record sales of $66 million achieved in 1977/78 (July-June). But sales promise to be brisk as markets in Latin America, the Middle East, Far East, and other areas are developed further.

Another bumper U.S. crop—estimated at 3.3 million metric tons, the same as last year's—will allow ample supplies for export while intensifying pressure to sell abroad. Moreover, the crops are abundant in traditional exporting areas such as the Pacific Northwest, New England, and eastern New York State.

The status of the U.S. dollar also will have a bearing on U.S. trade. Prior to its recent strengthening, the U.S. dollar was declining against many currencies of the world. For instance, the British pound in mid-October 1978 was worth about $2.08, compared with about $1.85 a year earlier.

The author is Director, Horticultural and Tropical Products Division, Foreign Agricultural Service.

Given a landed duty-paid price of $12 per carton (42 lb) for both years, U.K. importers would have paid about £5.77 for U.S. apples in October 1978—some 11 percent less than a year earlier.

Some further examples of the prolonged deterioration in the value of one U.S. dollar vis-a-vis foreign currencies (as of October 27, 1978) include:

	October 1977	October 1978
Netherlands	f2.4	f1.9
Switzerland	F2.2	F1.5
West Germany	DM2.2	DM1.8
Norway	Nkr5.4	Nkr4.8
Singapore	S$2.4	S$2.1
Malaysia	M$2.4	M$2.1

Currently, it looks as if total U.S. apple exports in 1978/79 could add up close to last season's recent high of 7.9 million cartons. Exports in 1978/79 were well above the exceptionally good showing of the preceding season (1976/77), when 6.3 million cartons moved into foreign markets.

At the start of last season, U.S. apple shippers were faced with a very inviting situation. The important European producers were then reporting exceptionally small apple crops, which for all Europe amounted to only about 5 million tons, compared with 6.4 million in 1976. This meant that the United States had an excellent opportunity to help fill the vacuum on the Continent—aided by a temporary reduction in the EC common external tariff on apples from 14 percent to 6 percent. Additionally, the area's leading producer, France, was not able to reach distant markets with the same intensity of former years.

As it turned out, France's apple crop in 1977 was down some 27 percent from the previous year to 1.2 million tons. This decline greatly limited the country's export potential while opening up new outlets for the United States in Europe, the Middle East, and other markets.

Despite loss of shipping time during the first of last season because of the dock strike on the east coast, U.S. apple exports went on to score a 25 percent gain in volume and a 57 percent increase in value over the 1976/77 levels. On a price per carton basis, export sales to all destinations averaged $8.42 per equivalent 42-pound carton, versus $6.71 per carton in 1976/77.

This is a far cry from the depressing prospects that confronted U.S. exporters in the 1960's and early 1970's. Around 1962, for instance, there were strong signs that the United States potentially could be squeezed out of the world apple market. Plantings in France and other nearby countries in Western and Eastern Europe had been exceptionally heavy, portending a future explosion in production.

Shortly after the mid-1960's, the explosion hit. Once-viable U.S. markets in the United Kingdom and Scandinavia collapsed. Prospects appeared bleak to impossible in Latin America and the Far East.

Canada—like the United States a leading producer and exporter—was plagued with similar problems. And, to compound the problem still further, Southern Hemisphere suppliers such as Australia and New Zealand began to eye the U.S. late winter through early summer market with greater interest. They also were having access problems in Western Europe.

Coinciding with these developments was burgeoning production in the United States of Red Delicious and other types.

U.S. exports during that time did fall considerably—averaging about 2-2.5 million cartons in the late 1960's and early 1970's. However, a nucleus of grower-shippers simultaneously were searching for new markets and making quality improvements needed to compete.

Gradually, the situation improved, and today U.S. apple exporters are shipping reasonably large volumes to the Far East, Latin America, and the Middle East.

Last year's record showing capped this rebound, as most major markets came through with larger purchases than in 1976/77.

Canada—largest single market for U.S. apples—was one of the exceptions to this generally upward trend and probably will show another slight decline in 1978/79. The current forecast: 2.4 million cartons, against 2.6 million shipped in 1977/78.

However, U.S. sales there last year were larger than expected, coming in just 300,000 cartons under the unusually high level of 1976/77.

The major limiting factors for 1978/79 will be the slightly larger Canadian

Clockwise from top left: U.S. apples at a market in Massachusetts; cider apples in the United Kingdom; and an apple orchard in France. The leading U.S. competitor in world apple markets, France this year has a smaller crop than its 1977 outturn.

crop and price gains resulting from the weakness of Canada's currency against the U.S. dollar. The Canadian dollar in October was worth slightly less than 85 U.S. cents, compared with 93 in August 1977.

In **Western Europe,** U.S. shippers cannot expect to repeat their strong 1977/78 showing of 1.4 million cartons in view of the 22 percent gain estimated for apple production in 11 key countries there over the unusually low level of 1977. The current estimate for 1978/79 exports: 600,000 cartons, or some 15 percent above the 522,000 cartons shipped in 1976/77.

On the positive side, expected output still is some 4 percent below that of 1976, and crops in the key European producers—France and Italy—are off 4 percent and 19 percent, respectively, from 2 years ago. Italy's crop, in fact, is some 5 percent below the small outturn of 1977.

Latin America (including the Caribbean and Mexico) should continue its gradual growth as a market for U.S. apples. Exports there in 1978/79 are forecast at 1.9 million to 2.0 million cartons, against 1.5 million last year. Shippers will probably at least equal last year's showing in Mexico and Venezuela—which together take about half of all U.S. exports to the region—and make further gains in Central America, the Caribbean, Colombia, and possibly Brazil.

In contrast to diminishing sales opportunities a few years ago, when France was encroaching on many traditional U.S. markets, Latin America recently has become an attractive outlet. U.S. shipments there last year rose 12 percent over the 1976/77 level.

In the **Far East and Pacific**—a recent growth market that did not, however, participate in last year's advance—sales are expected to exceed the 1.4 million cartons in 1977/78. A large crop in the U.S. Pacific Northwest means plentiful export supplies.

Hong Kong should continue to be a high-volume market, with any plus conditioned in part on currency relationships—the Hong Kong dollar has been slightly weaker so far this year. Taiwan, Malaysia, and Singapore also look better than they did last season, when sales to Taiwan and Singapore fell significantly.

The region as a whole took 155,000 fewer cartons in 1977/78 than during the previous year. This was the first interruption in the steady upward trend in sales since 1970, when only 210,000 cartons were sold to the Far East.

Exports to the **Middle East**—which opened up abruptly last year in response to smaller exports from its traditional supplier, France—should at least match the 1 million cartons of U.S. apples shipped in 1977/78.

France and Italy have long dominated this market and will probably try to reclaim their traditional shares. However, some trade sources predict that the United States will exceed last season's performance in this area by a significant margin. □

Morocco's Cotton Output Falls; Imports To Rise

The outlook for Morocco's cotton production remains rather dim as the 1978/79 output on a lint basis is expected to tumble nearly one-third. To overcome this production shortfall, lint cotton imports are forecast to rise sharply and the United States should again be the leading supplier.

Major obstacles facing the domestic cotton industry continue to be the low profitability of cotton under the present price structure, recent noncompetitiveness of Moroccan cotton, and stagnant world demand for cotton textiles. Prices paid to Moroccan producers in 1978 remained at the same level of the preceding 2 years. In addition, stocks on July 31, 1978, were estimated at only 400 metric tons, thus completing the depletion of the "stocks boom" that saw as much as 8,600 tons on hand 3 years ago.

Competition from sugarbeets ruined the ambitious 1973-77 Five-Year-Plan for cotton and the country's lint cotton production, which has not topped 8,000 tons since 1972/73, is forecast to fall sharply to 4,000 tons in 1978/79 from 5,900 tons in 1977/78, despite a recovery in average yield to an estimated 10.5 quintals per hectare, compared with 9.8 in 1977/78.

The decrease stems from the steep decline in cotton area, from 18,200 hectares in 1977/78 to just 11,400 hectares in 1978/79 as farmers returned to the pattern of the past few years of cultivating sugarbeets as a more profitable alternative. The major problem is that the Government's minimum guaranteed price for cotton is too low to cover costs of pesticides and other inputs and leave substantial enough profits for producers.

Morocco's lint cotton production rose 34 percent in 1977/78 from that of 1976/77. It was the largest outturn since 1973/74 and was 6 percent above the previous 5-year average. The increase resulted from a 53-percent expansion in area, up from 11,900 hectares for cotton in 1976/77, as average yield dipped from the 11.6 quintals per hectare achieved in the previous season.

The country's lint cotton imports—mostly upland cotton—of 6,727 tons during August 1977-May 1978 were running at about the same pace as during the previous season when 7,198 tons were imported. The U.S. share in both instances was about 30 percent and U.S. cotton is expected to maintain its solid position in the Moroccan cotton market. In fact, the United States has had the largest share of Moroccan cotton imports over at least the last 2 decades, except in 1975/76 when Turkey took the lead.

The outlook for the 1978/79 marketing year points toward the import of 10,200 tons of lint cotton by Morocco in order to make up for the expected shortfall in domestic production.

The country's cotton imports over the near-term are expected to expand even further with the continued growth of the domestic spinning and weaving industries. This growth will depend in part on world market conditions. However, there is no foreseeable point in the future when Moroccan cotton production will be at a level where imports are no longer necessary.

During August 1977-May 1978, Morocco's exports of lint cotton—all long or extra-long staple—were 2,014 tons as the competitiveness of Moroccan prices improved in Italy and West Germany, the only two destinations reported by COMAPRA, the country's official cotton ginning and marketing organization.

Based on sales already made, COMAPRA believed full-year exports for 1977/78 reached 4,200 tons of lint cotton, up sharply from the very low level of 715 tons in 1976/77. Price policy was the chief factor in poor performance in 1976/77 as exporters held out in hopes of higher world prices.—*Based on a report from the Office of the U.S. Agricultural Attaché, Rabat.*

Germany Ups Turkey Meat Output, Imports

West Germany's production and imports of turkey meat have been increasing this year to keep up with rising domestic demand—about 78,000 metric tons for 1978 compared with about 73,000 tons in 1977, according to a recent report from R. E. Anderson, Jr., U.S. Agricultural Attaché, Bonn.

Domestic turkey meat output for calendar 1978 may reach 29,000 tons, compared with 26,000 tons in 1977—the largest increase in any 1 year on record.

Consumption of turkey meat in West Germany during 1978 is expected to advance about 11 percent. This increase probably will be accepted by the market without declines in either producer, wholesale, or retail prices—a reflection of the large potential German market for turkey meat.

The rising consumption level also indicates that increased imports of seasoned turkey meat from the United States and Israel are not colliding on the market with the large increase in domestic production and marketing of fresh turkey parts.

U.S. exports of all prepared poultry meat probably will reach or slightly exceed 8,000 tons this year—an increase of almost 13 percent over the 1977 level.

At the same time, U.S. exports of fresh and frozen turkey meat are expected to decline to about 1,500 tons, compared with about 3,500 tons in 1977.

Total U.S. poultry meat shipments in 1978 are estimated at about 12,000-12,500 tons—slightly below the 12,530 tons shipped in 1977.

Since the end of 1977, Israel has developed into a major competitor in prepared poultry meat, primarily by supplying seasoned, uncooked turkey parts. During the first half of 1978, Israel shipped 2,560 tons of prepared poultry meat, up from 126 tons during the same period of 1977 and a total of 980 tons for the entire year. □

Portugal's Grain Imports To Rise

As a result of two poor grain harvests in a row and dim prospects for the 1978/79 crop, Portugal is expected to be a significant importer of grains for the foreseeable future.

Because its grain stocks were nearly depleted at the beginning of the current season (July-June) in anticipation of a recovery in this year's crop, Portugal's grain imports are likely to rise about 10 percent in 1978/79 to 3.3 million metric tons. The United States is again expected to provide the bulk of Portugal's imported grain, depending on the availability of Public Law 480 and Commodity Credit Corporation (CCC) financing.

Unfavorable weather, seeding problems, and continued political turmoil have again cut heavily into the country's harvested grain area and yields. The 1978 grain crop is forecast at less than 900,000 tons, 40 percent below normal and only slightly above the catastrophic 1977 crop.

The expected low overall output is once again largely attributed to winter grains, particularly wheat, which is currently forecast at 263,000 tons. This output would be only about half the national average for the 1966-75 period and just a slight improvement over the 1977 outturn of 196,000 tons—the smallest in 50 years.

Prospects for significant improvement in the country's grain production over the short term are not good. The outlook for the 1978/79 grain crop, especially in Alentejo, the main producing region, remains bleak. The return of some land to former owners is creating serious problems; thus, the outlook for recovery in Alentejo's wheat production next season remains discouraging.

In addition, uncertainty over the direction of agrarian reform may very well preclude any expansion in Portugal's grain production for several years.

Even if the grain output could return to the levels existing prior to the April 1974 revolution, Portugal would still need to import about 400,000 tons of wheat —40 percent of its domestic requirements—and about 2.0-2.4 million tons of feedgrains—about 70 percent of its domestic needs.

Since 1974, a run of unfavorable weather plus the political uncertainty has forced Portugal to import a much greater proportion of its grain requirements. Imports of grains and preparations totaled about $300 million in 1977—double the 1973 level—and the value could exceed $350 million for 1978. Grain imports last year accounted for about 75 percent of the country's domestic grain consumption.

The country's grain requirements have been growing quite rapidly. Livestock expansion has pushed the requirements of grain for feed from 1.6 million tons in 1973 to 2.6 million tons in 1977. Meanwhile, Portugal's coarse grain production declined from 779,000 tons to 663,000 tons during this period.

At the same time, wheat consumption has risen about 100,000 tons to over 1 million tons as wheat production has fallen to about half the normal crop of 500,000-550,000 tons. Part of the increase in consumption stems from the return of about 750,000 people from Portugal's former African possessions since the 1974 revolution.

Portugal is in the throes of a severe economic crisis with high inflation, mounting unemployment, and balance-of-payments deficit. In 1977, the rate of inflation was around 27 percent, unemployment accelerated to about 20 percent of the labor force, and the balance-of-payment deficit stood at about $1.5 billion.

Agricultural imports, rising rapidly in recent years, pose an additional burden on the economy. Farm imports in 1977 exceeded $1 billion—56 percent greater than in 1973. Although agricultural exports have risen, the farm trade deficit widened from $383 million in 1973 to more than $800 million last year, representing about one-third of the country's total trade deficit that year. Growth rates on imports of fruits and vegetables and livestock products have been the highest among agricultural commodities, but grain imports continue to cause the greatest foreign exchange drain.

Owing to increased grain import requirements and the country's difficult financial situation, Portugal has qualified for both P.L. 480 and CCC credit for the third straight fiscal year. Since October 1976, Portugal has negotiated P.L. 480 agreements for $110 million worth of agricultural products. Also some $375 million has been made available in CCC credits, largely to finance purchases of U.S. grains.—*Based on reports from James Lopes, ESCS, and the Office of U.S. Agricultural Attaché, Lisbon.*

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Caribbean Sales Team Visit Set for February 1979

An FAS-sponsored sales team will visit four Caribbean islands next year and preliminary preparations are already underway. A Trade Development Officer will visit the area this month to survey market possibilities for U.S. processed foods and to make preliminary contacts with the region's principal importers. The team, to be made up of representatives of eight U.S. food firms, will visit Martinique, Barbados, Surinam, and Trinidad, February 5-16, 1979.

A similar eight-man team visited the Caribbean islands of Margarita, Curaçao, and Aruba in late July and early August, and racked up sales well in excess of $2 million in 5 days of selling. Future sales resulting from these initial contacts and the subsequent establishment of sales agencies will bring the total for 1978 to well over the $2-million mark.

Industry interest in the sales team approach to foreign market development has been intensifying since the first such group went to Europe on a trial basis in 1973. Because of this interest, the activity has expanded, six teams visiting 12 countries in fiscal 1978, three teams visiting eight countries in 1979.

"The United State's is the top supplier of agricultural products to the Caribbean area, particularly of processed foods," according to Edward C. Collins, who will coordinate the February team visit for FAS, "but competition is strengthening, especially from Brazil, Canada, Denmark, the Netherlands, and Argentina. This means that U.S. suppliers must intensify their efforts if they are to keep their current share of the market, and strive even harder if they are to increase it."

In 1977, agricultural sales to the Caribbean region amounted to $420 million, of which $117 million were of processed foods. It is estimated that in 1978, consumer-ready foods of the types promoted by sales teams and at USDA trade shows will represent about $2.5 billion of record farm product exports of $27 billion.

The U.S. food share of the total is rising steadily, and it could continue to increase further with proper promotional support.

The advance-planning trip in connection with the February activity will keep the FAS representative on the go for 16 days. During the trip he will make physical arrangements for the February team visit, enlist U.S. personnel on the scene to assist the team next year, and determine the kinds of U.S. processed food products—especially new-to-market products—with the liveliest sales potential.

After his return to Washington, the representative's "real" work connected with planning the February visit will begin. At that time, the mass of data collected from a myriad of sources must be evaluated to determine the most effective way to promote U.S. food products in the area.

But first the results of the trade analysis must be matched with the listings of export foods sold by prospective members.

FAS is not out to replace any U.S. product already being imported into these Caribbean countries. It will concentrate on new-to-market products during the team visit. In fact, the number of such products a firm has to offer will weigh heavily in deciding whether it is invited to participate.

If one firm has three new-to-market items in its line, and another seven, the second firm will probably receive priority consideration. In every case, an effort will be made to match a firm's product line with the anticipated demand in the countries on the itinerary.

Team members will be encouraged to make their own contacts in each of the four countries. But at the same time, they will be urged to make use of the resources offered by the U.S. Agricultural Attachés and other Government officials in the area.

The first official notice of the February 1979 trade team project will be made in the FAS's *Export Briefs* this month. Solicitation of potential team members will be made on/about December 1.

Another sales team will visit Curaçao and Venezuela in May 1979. The team will consist of representatives of firms showing products at the FAS food show in Aruba, May 15-17. Information about the Aruba exhibit and the trade team visits will be made available in the near future.

Firms interested in participating in either Caribbean activity or in any other FAS food promotional project should write to the Director, Export Trade Services Division, Foreign Agricultural Service, USDA, Washington, D.C., 20250, or telephone (202) 447-6343. □

By Marcellus P. Murphy, staff writer, *Foreign Agriculture.*